



USDA Rural Development - Texas Site Requirements Direct Homeownership Loans (Section 502)

This information sheet provides an overview of the Agency site requirements for direct homeownership loans (Section 502).

1. Eligible Rural Area

The site must be located in an eligible rural area. Information on eligible rural areas is available from the USDA Rural Development local office.

2. Modest Site

The site must be considered modest by USDA Rural Development. Modest sites are defined by their size, value, and the presence of any outbuildings.

- **Size.** The site must not be large enough to be subdivided under local subdivision regulations.
- **Value.** The value of the site must not exceed 30 percent of the as-improved market value of the property. The 30 percent limitation may be exceeded if the site cannot be subdivided into two or more sites and the value of the site is typical for the area, as evidenced by the appraisal and the practices of other lenders.
- **Farm Buildings.** The property must not include farm service buildings; however smaller outbuildings such as storage sheds are allowed.

3. Water and Waste Disposal

The site must have water and wastewater disposal systems, whether individual, central, or privately-owned and operated, that meet the applicable water and wastewater disposal system requirements of RD Instruction 1924-C. There must be assurance of continuous service at reasonable rates for central water and wastewater disposal systems.

4. Site Access

Each site must be contiguous to and have direct access from a hard surfaced or all weather road which is developed in full compliance with public body requirements, is dedicated for public use, and is being maintained by a public body or a home owners

association that has demonstrated its ability or can clearly demonstrate its ability to maintain the street.

5. Prohibited Features

- **Swimming Pools-** Properties that include in-ground pools will not be financed. It is not acceptable to remove a pool before or after closing to meet this requirement.
- **Income-Producing Land or Structures -** Properties that include income-producing land or buildings designed to accommodate a business or income-producing enterprise will not be financed. Home-based operations that do not require specific features such as child care, product sales, or craft production are not restricted.

6. Flood-Related Requirements

USDA Rural Development will not finance dwellings located in a Special Flood Hazard Area (SFHA) unless there is no other practical alternative available. Flood insurance is required for all dwellings located within the 100-year flood plain, unless FEMA has granted an exception, and flood insurance is available as part of the community's flood plain management regulations. For all new construction and substantial improvements the lowest floor (including basement) must be elevated to or above the 100-year flood level. For existing dwellings, the first floor elevation of the habitable space must be at or above the 100-year (base) flood level.

This handout is intended as a summary of Direct Homeownership Loan site requirements, more detailed information on site requirements is available in USDA Rural Development Instruction 1924-C, 1940-G and HB-1-3550.

<http://www.rurdev.usda.gov/regs/regs/pdf/1924c.pdf>

<http://www.rurdev.usda.gov/regs/regs/pdf/1940g.pdf>

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<http://www.rurdev.usda.gov/regs/handbook/hb-1-3550/1chap05.pdf>
<http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>